DOCUMENT RESUME

ED 217 096 UD 022 194

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TITLE Budgets and Big City Education.
PUB DATE 20 Mar 82
NOTE 60p.; Paper prepared for the Annual Meeting of the American Educational Research Association (New York, NY, March 20, 1982).

EDRS PRICE MF01/PC03 Plus Postage.
DESCRIPTORS Elementary Secondary Education; Enrollment Trends; *Federal Aid; *Financial Problems; *Financial Support; Minority Groups; *Municipalities; Political Influences; Public Policy; *Research Needs; School Districts; State Aid; Urban Demography; *Urban Schools
IDENTIFIERS Reagan Administration

ABSTRACT

The prospect of simultaneous cuts in Federal and State aid to public school education in some States poses a serious threat to large cities which suffer financial stress and face the added responsibility of educating large numbers of poor black and Hispanic children. Financial needs that might result from cuts in Federal aid cannot be met by State and city governments which, surveys show, face fiscal pressures of their own. Furthermore, central city public schools are experiencing a weakening political position because the majority of children who presently depend on public education are from disadvantaged minority groups and are not the children of people who control the economy and politics of the city. These sweeping changes demand that research in large city school districts address not only fiscal and management issues, but also the nature of urban societies, the future of public institutions, and the impact of budget cuts on students and the staff who make the schools function. (MJL)

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BUDGETS AND BIG CITY EDUCATION

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Twentieth Century Fund*

Paper Prepared for the Annual Meeting of the American Educational Research Association

March 20, 1982

UD 022 194

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American public school education is facing serious financial problems which will bring simultaneous cuts in federal and state aid in some major states this fall, cuts coming at a time of serious local financial problems. Statements to the press, testimony before congressional and state legislative committees, warnings of teacher organization leaders, and early signs of many substantial changes have created a sense of alarm. After a long period of growth, this is a major change in direction.

The change will be most drastic and the protests are the loudest in the large cities, where financial stress has been growing for years and where the school are, at any rate, in the most trouble on other fronts. The fact that these cities have become peculiarly important for the education of black and Hispanic children and are relative unimportant for the schooling of white children both increases the social consequences of these crises and diminishes the likelihood that they will be resolved through substantial new targeted aid from higher levels of government.

Present trends indicate that the financial pressures will increase, at least during the next few years, putting great burdens on precarious institutions and forcing drastic changes in some.The responses to these crises will have major impacts on American education and should receive close attention from the research community.

Since the 1975 financial crisis in New York City a number of the most important cities and the largest school districts in the U.S. have experienced very serious and disruptive fiscal pressues. In addition to New York, the list includes most of the other very large cities, including Chicago, Detroit, and Philadelphia. School districts in several other large cities including Cleveland and Boston and in a number of smaller cities in Ohio and Michigan have been very badly squeezed. After the passage of Proposition 13 in 1978 the major districts of California became almost totally dependent upon state and federal financing and the state no longer has the accumulated surplus to deal with their needs.

All of this, which has been noticed mostly in the particular districts affected, has been but a prologue to a three-sided crisis hitting big city education in the early eighties. To a very large extent each part of this crisis grows out of conscious decisions by the federal government. The components are direct cutbacks in federal aid, cutbacks in state aid (in real dollars) primarily because of recessions created by federal monetary policy in 1980 and 1981, and threats to the local tax base created by two severe recessions that have closed many sources of employment and high interest costs that have reversed or severely retarded the growth of the assessed value of real estate available to school districts for tax purposes. The interest rates have also raised the cost of bond finacing for school districts.

It is not surprising that there is a sense that big

city public education is under attack and gravely threated, or that the Reagan education budgets should be seen as the central hostile act facing the city schools. The budget cuts are indeed sharp and rapid and the program changes which were embodied in the 1981 Omnibus Budget Reconciliation Act will tend to work to the additional disadvantage of the large city districts. These cuts are, however, only one part of a longer-term crisis. The fiscal vise closing on a number of the largest districts and some smaller ones is very tight and there is no good way out in sight.

This paper will explore the fiscal trends affecting big city districts and their growing dependence on state and federal aid in the past generation. It will look at the changes in federal aid in the recent past and discuss the basic role of the states in educational finance and the present fiscal crisis and multiple demands state governments face from the interaction of recessions, Reagan budget and program cuts in many areas, and state tax ceilings in some states. It will discuss the changing population of central cities and the changing enrollment of their public schools, suggesting reasons for their weakening political position. Finally it will consider the kinds of questions that should be addressed in assessing the ultimate implications of these sweeping changes for the students in the schools and the teachers and principals who make the schools function. The problems are serious and the trends suggest that they will continue. They will have heavy and disproportionate impacts on blacks, Hispanics and poor whites, and we have very little good research to show what those impacts on children and schools will be beyond simple economic data.

City Dependence on State and Federal Aid. Many older cities have been in decline since World War II but some of the negative consequences of the departure of both the industrial and commercial job base and much of the middle class were masked by the prosperity of the sixties and the expansion of governmental employment and inter-governmental grants during the sixties and much of the seventies. These mitigating factors meant that central city schools in severely declining cities with shrinking tax bases experienced buoyant growth in budgets and staff in many cities through the early years of the seventies. Budgets rose and staff grew even as enrollment fell. With the new resources came very large new responsibilities for compensatory education, for training the handicapped, for bilingual education, for desegregation, and other functions. Although the schools were never content, they did have real increases in resources to deal with their massive responsibilities.

The other side of increasing generosity of other levels of government was the creation of school institutions, staff, and expectations that could not possibly be met without a continuing expansion of grants. Local revenues, based overwhelmingly on property taxes, did not come close to keeping up with inflation. There was little or no prospect of replacing revenue from other levels of government with local resourses. If there were a serious squeeze on school aid at either the state or federal levels, the consequences would be immediately felt. When a hard simultaneous squeeze from both levels came in 1981 and it coincided with the worst economic problems many central cities had faced since the Great Depression the impact on urban schools was bound

to be far reaching. The following table shows the level of federal and local funding and the stagnant property tax income in 12 cities:

REVENUES OF SELECTED
URBAN SCHOOL DISTRICTS FROM LOCAL PROPERTY TAXES
AND FEDERAL AID, FISCAL YEAR 1980*

city school district	Percent of District Revenues from: federal aid revenue	property tax revenue	1979-1980 change in prop. tax revenue
Chicago	11.9	23.2	+5.9%
Los Angeles	11.4	11.9	-39.3%
Atlanta	16.8%	36.9%	-6.8%
Houston	9.6	46.4%	+13.3%
Philadelphia	18.1	22.6	+2.5%
Detroit	14.5	28.9	+7.0%
Cleveland	32.1	35.8	+15.4%
St. Louis	18.1	36.5	+1.5%
Denver	9.4	59.0	+2.6%
San Antonio	19.3	22.8	-4.0%
El Paso	19.8	23.4	-4.4%
Corpus Christi	15.7	30.1	+1.9%

*1979-1980 school year

Source: U.S. Census Bureau, Finances of Public School Systems in 1978-79, Series GF 79, No. 10, 1980; Finances of Public School Systems in 1979-80, GF80, No. 10, 1981, pp. 18-40.

Each of the school systems listed in the foregoing table is a predominantly minority system and is cut off from most if not all of the economic growth of its area. Chicago, Atlanta, Philadelphia, Detroit, Cleveland, and St. Louis have substantial black majorities. San Antonio, El Paso, and Corpus Christi are majority Hispanic districts as Los Angeles soon will be. Denver and Houston have a combined black and Hispanic majority. Although the city of Houston has exercised annexation powers in a sweeping fashion, the school district has not been able to expand since the early fifties. In Denver where the city could easily annex and the school district would automatically expand with it , a state constitutional amendment in 1972 fixed Denver's boundaries in the rapidly growing metropolitan area.

What is abundantly clear from the table is that with few exceptions such cities depend more on federal aid than average U.S. districts and are experiencing little growth in property tax revenues. On the average these twelve districts were receiving federal aid that was equal to more than half of their local property tax revenues. To replace a cutback of 50% in federal aid in terms of real dollars, well within the range of the Reagan proposals, such districts would have to raise local property taxes by more than a fourth, an extremely difficult task in central cities simultaneously afflicted by many other cuts and increasingly occupied by the poor and families without children.

What Has the Federal Government Done? Federal aid to schools became an important but by no means dominant source for urban school budgets following the enactment of the 1965 Elementary and Secondary Education Act. A variety of other pieces of federal legislation including the Bilingual Education and Emergency School Aid acts and non-education programs ranging from the war on poverty to the CETA public employment program and the Community Development legislation have produced resources for urban schools. The fact that a number of federal aid programs targeted aid according to poverty of students, concentration of students needing language institution, incidence of desegregation orders, and other conditions much more likely to affect central cities than suburbs, meant that a good many central cities received a substantially greater fraction than average of their local school budget from federal programs.(see table 1)

The basic strategy of the Reagan fiscal changes in 1981 was to drastically lower federal revenues, expand the Defense sector of the budget, increase payments for interest on a growing federal debt, and exempt very expensive transfer payments including Social Security and Medicare, from any significant cuts. This meant that the whole burden of reduced expenditures had to be focused on the "discretionary" programs, mostly grants to state and local government. This entire category of the federal budget was subjected to three successive reductions during 1981 and was targeted for additional large reductions in the budget submitted by the President in February 1982 and in the projections for the remainder of the President's term of office. The reductions during 1981 took the following

form--first reductions to the already enacted Fiscal Year 1981 budget through the recission process, then a general round of large reductions and program changes included in the Omnibus Budget Reconciliation Act, and then further cuts embodied in the Conte continuing resolution enacted late in the year. The net impact of these cuts was large, as illustrated by the following table showing net cuts enacted during the first year of the Reagan Administration to several programs important to urban school districts:

TABLE 2
CONSTANT VALUE DOLLAR
CUTS IN EDUCATION PROGRAMS
ENACTED IN 1981, IN MILLIONS

Program	Fiscal Year 1981, Before Recissions	Year End Conte Resolution	Percent Reduced
Title I			
Bilingual			
Emergency School Aid			
Vocational			
Handicapped			
Impact Aid			

The impact on public education has been far less in the first year of the Reagan Administration because education programs are forward-funded for a year in advance. Except

for the CETA workers, who were terminated last summer, and the recission in the Fiscal Year 1981 budget, the schools will not really feel the impact until September 1982, a year and three-fourths after the beginning of the new Administration. It has already affected the budget process and the battles for elimination or continuation of programs and staff in school districts across the nation. As the schools begin to belatedly feel the direct impact of the new political climate, a second budget with another large round of proposed cuts will be working its way through the congressional process.

The Council for the Great City Schools, representing twenty-eight of the largest urban school districts serving slightly more than a tenth of all U.S. students calculated the impact of the Reagan cuts on these urban districts. The total aid to these systems from the Department of Education fell from $968 million last year to $827 million during the current school year and would fall again by an additional $234 million if Congress adopted cuts requested by President Reagan in Fiscal Year 1982 and 1983 budget proposals and recissions. Although the districts had about ten percent of the students they were targeted for disproportionate cuts. The Council estimated that they received 22% of the first year cuts, 17% of the proposed fiscal 1982 recissions and 12% of the cuts in the President's new budget for fiscal. While all school programs were expected to suffer the policy of the Administration of eliminating targeted programs and combining them into smaller block grants distributed usually on a per capital basis worked to the special disadvantage of the big systems.(Council,1982:1-2) There would be a particularly dramatic impact on the big school

districts receiving substantial grants to assist desegregation under the Nixon Administration's Emergency School Aid Act. Under the 1981 Omnibus Budget Reconciliation Act, this program was ended and the money combined into a block grant to the states sharply reducing funds to a number of large districts: "Cleveland, for instance, will exchange $4.7 m in special purpose aid for $701,000 under the Block Grant; Buffalo will exchange $7.7m for about $446,000; St. Louis will exchange $5.1m for $522,000; and Seattle will exchange $4.2m for $394,000."(Ibid:3) The law prohibited use of this money for busing but it was very important in the educational and human relations aspects of the school desegregation process.

Aid to the schools from other federal agencies also plummeted. The CETA program, which provided $178 million in School Year 1980-81 dropped to $47 million this year and is projected to fall to $0 next year. Bilingual education was to fall from $30 million to $20.8 million during this period. Refugee aid was to be "zeroed out" in David Stockman's phrase, as were grants from the Energy Department. When all the grants from all federal agencies were added together federal assistance for these 28 school districts was to decline from $1.64 billion in Fiscal Year 1980 to $1.02 billion in Fiscal Year 1983.

The cut is considerably sharper if one considers the real rather than the nominal value of the grants. The President's budget for Fiscal Year 1983 assumes a 27% inflation rate between fiscal 1980 and fiscal 1983. Thus the true value of the 1983 federal aid money to these districts will be $.74 billion, a decline of 55 percent in the real federal aid in a three year period.(The Administration assumptions can be calculated from

Budget of the United States Government, Fiscal Year 1983 ,p. 9-61)

According to the President's long-term budget, aid would drop again rapidly in 1984, when there would be a massive transfer of responsibilities to the states. Federal support for the the 28 cities was projected to fall that year to $400 million or substantially less than $300 million in 1980 dollars, a total decline in federal assistance of more than 80% in the space of four years.(Council, 1982: 4) This was to happen to districts serving five million children of whom "30% live below the poverty and 75% are minority."(Ibid.: 5) The following tables showing the detailed impact of the changes on federal aid to the public schools in Cleveland and Philadelphia, two of the most financially troubled cities. The tables show a decline in total aid to Cleveland from $45.1 million in the 1980-81 school year to $24.1m in the 1983-84 school year under the President's budget. In constant value dollars the decline would be to $17.6m,a drop of 61% in three years. The Philadelphia decline from $110.8 million to a projected $59.7 million is also a 61% decline in constant value dollars. After 1983 direct federal aid would decline even more rapidly.

TABLE 4

ACTUAL AND PROJECTED AID TO CLEVELAND SCHOOLS, FY 80- FY 83

Programs	(1) FY80 1980-81	(2) FY81 1981-82	(3) FY82 Cont. Res. 1982-83	(4) FY82 Revised 1982-83	(5) FY83 1983-84
Title I (ESEA)	$ 12,565,783	$ 12,093,546	$ 10,838,014	$ 9,417,150	$ 7,755,023
PL 94-142	1,439,548	1,775,561	1,890,262	1,365,147	1,365,000*
Impact Aid	774,000	126,128	---	0	0
Vocational Ed.	1,996,812	1,432,078	1,374,795	1,091,587	1,312,130*
Adult Ed.	648,385	676,927	584,865	571,998	
Bilingual Ed.	375,511	291,748	233,690	212,424	178,436
Indian Ed.	75,000	70,206	66,239	60,721	42,745
Title IV-B	509,617	508,275			
Title IV-C	270,000	132,301			
ESAA	7,085,000	3,798,615	701,356*	680,665*	625,125*
Ethnic Heritage	0	59,380			
Teacher Corp	20,000	148,688			
Career Ed.	0	75,867	72,832	0	0
Law Ed.	0	132,194	126,906	0	0
Follow Through	125,743	125,743	93,121	0	0
CETA	8,666,107	4,500,000	0	0	0
Child Nutrition	10,586,607	11,276,607	12,212,565	12,280,000	12,833,000
Refugee Aid	15,000	26,574	26,574	0	0
TOTALS	$ 45,153,113	$ 37,250,438	$ 28,347,347	$ 25,679,692	$ 24,111,459

* Monies supplied under Block Grants

Source: The Council of the Great City Schools, February 1982

The problems experienced by the big cities would be part of a planned across-the-board retrenchment in federal aid to education. According to the Congressional Budget Office, overall expenditures for elementary, secondary and vocational education in the federal budget were to decline from 6.7 billion in Fiscal Year 1982 to 3.6 billion dollars in Fiscal Year 1985 under the President's plan. According to the Congressional Budget Office's inflation estimates, this would actually be worth 3.1 billion in 1982 dollars, for a net decline of 54% in this three-year period.(Cong. Budget Office: 20, 38). The big cities would get more than their share of the cuts.

Education groups have, of course, mobilized to prevent additional major cuts from being written into appropriations bills and Congressional budget resolutions. They may well defeat or substantially alter some of the President's major proposals. It is important to remember, however, that the battle is fundamentally over holding the line at a much lower base than that which existed a year ago and one that will be further eroded by the silent budget cutting of inflation this year. Long-term appropriations ceilings for a number of programs have already been written into law in the Administration's massive 1981 budget bill. Of even greater importance, the revenue base of the federal government has been so severely reduced by the 1981 tax bill and so many long-term weapons system commitments have been made in the Defense budget that it is difficult to conceive of significant increases in federal educational funding unless there is a far-reaching political change and large federal tax increases.

Can the States Help the City Schools? With federal aid for education in deep trouble, the logical place for urban school systems to turn is toward the state capitals. The state's are, after all, a far more important source of aid to urban districts and one that has been expanding more rapidly than federal aid during the past decade. School finance reform and state assumption of a growing share of school budgets has been a major political and legal goal in many states during the past decade. Certainly the state can draw on a far broader tax base than a city, particularly a declining city, and a state is in the best position to deal with the widening gap between declining cities and well-to-do suburbs. Not for many years have there been so many voices saying that the state governments have the ability and the will to address social problems without federal intervention.

The problem was that the states were facing reduced revenues from two successive recessions, self-imposed fiscal limits in a number of the more prosperous states, new burdens and diminished federal aid from the block grant provisions of the Reagan budget, and rising welfare and unemployment costs. The states of the East and Midwest, traditionally supportive of public expenditures, were wracked by severe erosion of their industrial base and increasingly effective competition from low-tax, anti-union states and other nations for relocation of their remaining large employers. These trends, in addition to a conservative political mood paralleling that in Washington, meant that the chances for increased state aid or even state aid that rose as fast as inflation were minimal to non-existent in many states.

Although there was considerable support among state officials for the block grant provisions of the President's first budget, enthusiasm had cooled and the second round of changes was greeted with statements about the impoverished condition of the states and their inability to assume any additional financial burdens. Organizations representing the governors and legislatures sounded the alarm about the financial conditions of the state and the deception involved in shifting functions without money.

As local school officials responded to the federal cuts by turning to the states for help, they found the states struggling to cope with the effects of two successive recesssions in two years and very drastic cuts in a wide variety of federal aid programs administered by the state governments. State officials were simultaneously battling revenues falling well below projections and federal aid drastically cut. They had to face these issues at a time when very tough competition for businesses prevented raising of broad-based taxes and when the states had been given the responsibility for allocating many of the large cuts imposed by the Reagan budget when a rapid-fire series of recissions, sweeping budget and tax changes, and then another set of changes after the beginning of the 1981-82 fiscal year created sudden program changes and cuts that can so fast and on so many fronts the situation was virtually incomprehensible.

A study by the National Conference of State Legislatures in January 1982 reported that the states were in serious condition financially and that it was continuing to deteriorate. 42% of the states said that their revenues were running behind the projections on which their state budgets were based while only one state in five reported extra revenue. Almost half were already eliminating jobs in state government. Many were facing the politicians ultimate nightmare--simultaneous tax increases and visible cuts in services. Eight states had particularly serious problems, including California, Ohio, Michigan, and Massachusetts. The states, like the federal government, had not foreseen the 1981 recession and "at least 19 states reduced spending during fiscal year 1981 to below the levels appropriated when the budget for the year was first passed." (Gold and Benker: i-3)

The Washington legislature cut the state's budget by $284 million in late 1981 and had to make another cut in 1982. In January 1982 the Minnesota legislature cut over $500 million and raised taxes by $225 million. Ohio raised taxes substantially in late 1981 and confronted an additional $1 billion deficit for the next fiscal year. California and Colorado imposed across-the-board cuts in late 1981. Most states were working with a dangerously low reserve--less than 1 percent although 5 percent was considered a safe minimum. Twelve states predicted that they would end their fiscal years in deficit.(Ibid.: 5-9)

> The dismal fiscal situation of the majority of states results from the national economic malaise. A recession implies slow growth of personal income, which

> leads directly to slow growth of tax revenue and increased demand for social services. The cutbacks of federal aid are not the primary cause of state fiscal distress, but they exacerbate it. In fact, those cutbacks could hardly have come at a worse time in view of the anemic state of state budgets.(Ibid.:12)

The broad scale of the Reagan cuts in state aid meant that state policy makers were not faced only with demands from the school districts, but from many sectors of the society--all in a climate of intense opposition to tax increases. Georgia Gov. George Busbee told a Senate hearing in late 1981 that the sudden changes meant that "the budgets of the states are in disarray and chaos."(Chicago Tribune, Nov. 7, 1981) An Arizona official commented that the struggles involved "trading off little kids against handicapped people against retarded." (Herbers: 1). Maryland state legislator Lucille Maurer described the tension in Annapolis: "I've talked to the blind. I've talked to the elderly. They all have the same problem: They say they already aren't getting the services they need, and this is before the really big cuts have hit."(Washington Post,Jan. 20,1982)

A survey of state school officials by the Education Commission of the States showed that they were worried most about a state fiscal crisis that was so serious that it made the large federal cuts a secondary consideration. Arizona, for example, predicted "no new money" for education. Florida and Michigan cut money out of their aid budgets for the current year in late 1981 as South Carolina had done earlier in the year. Missouri was unable to make its aid payments on time and school officials said they were worried about getting less money next year because revenues were dropping. School officials were especially worried in the states which showed slow growth of revenues even before the recession, shown on the following table: (State Education Leader, Winter 1982: 1,8-9)

TABLE 5

GROWTH OF STATE TAX REVENUE
FISCAL YEAR 1981

STATE	PERCENT GROWTH	MAJOR CITIES*
Colorado	-3.4%	Denver
Nebraska	-1.8%	Omaha
New Hampshire	.5%	
Michigan	1.9%	Detroit, Flint, Grand Rapids, Lansing
Missouri	2.3%	St. Louis, Kansas City
Arizona	2.4%	Phoenix, Tucson
Arkansas	2.7%	Little Rock
Tennessee	3.2%	Memphis, Nashville, Knoxville, Chattanooga, Johnson City
Indiana	3.3%	Indianapolis, Gary-Hammond
Illinois	3.3%	Chicago
West Virginia	4.7%	
Montana	4.8%	
Pennsylvania	4.9%	Philadelphia, Pittsburgh, Harrisburg, Allentown
Iowa	5.3%	Des Moines
Minnesota	5.4%	Minneapolis-St. Paul
Deleware	5.4%	Wilmington
California	5.9%	Los Angeles, San Francisco-Oakland, San Diego, San Jose, Oxnard, Fresno, Bakersfield, Sacramento, Riverside, Anaheim

*Cities in 100 largest metropolitan areas

Source: U.S. Census Bureau, "Quarterly Summary of State and Local Revenue," October 1981 , in State Education Leader, Winter 1982, and metropolitan data in American Demographics, December 1981

Increasing evidence of state budget troubles appeared in 1982. California, where the state surplus that had cushioned the impact of Proposition 13 was gone, projected a $350 million shortfall in the 1982 fiscal year and a far more serious problem when the new fiscal year began. The Los Angeles school board's fiscal advisor recommended that the board cut current programs by $10 million and warned that the teachers probably could not be given any pay increase for the coming year. Budget director, Dick Caldwell reported that, "The current Sacramento situation is so serious that in the absence of a major tax increase by June 30--which I don't think will happen--the state will suspend any local government inflation allowances for next year and we will be forced to operate next year with no more money than we had last year."(Farris, 1982).

The dismal prospects for state help to bail out the Chicago system--burdened with a predicted $100 million shortfall for the coming school year--and other Illinois cities were spelled out in the Illinois budget submitted by Gov. James Thompson early in 1982. For the first time in memory the state budget proposed that Illinois reduce school spending. The governor proposed to cut school aid by almost 2 percent. (Chicago Tribune, March 4, 1982) In January 1982 , State Superintendent Donald Gill reported to the Illinois Board of Education that, "despite having made drastic budgetary cuts ... the Chicago board faces a serious possibility that it will not be able to operate its schools...." The situation would only be made worse by the federal cuts. Gill suggested that Chicago should be able to increase its taxes without a referendum but he did not recommend more state money.(Chicago Tribune,Jan.15,1982)

The education block grant created by the first Reagan budget consolidated a number of programs, turned over discretion in spending to the state governments, and cut the total amount of money. Some of the individual grants had been favorable to big cities. The state governments intended, in most cases, to simply distribute the diminished funds on a per student basis. In Arkansas, for instance, the Arkansas Department of Education pointed out that "there will be less money to spend and it can be spent feasibly in only a limited number of ways." The funds would be "allotted on an enrollment basis with adjustments for high cost students."(Arkansas Education Update , October 1981.) Participants on the Education Commission of the State Steering Committee noted that funds would generally be distributed according to population, not need. A Colorado official concluded that "innovative school districts and inner-city districts would be hit hardest," with the sharpest losses in those districts which had been receiving federal desegregation aid. Enrollment would be the key to distribution, with rich suburban districts getting as much per child child as inner city systems and there would be "very few rules." (State Education Leader, Winter 1982: 12)

The states had neither the ability nor the will to substantially raise state aid in the short run. The states in the old industrial belt were in the midst of a severe and probably long-run economic contraction. Those states that were in better economic shape, particularly energy producing Western states had, in most cases either restricted their state revenues through some kind of Proposition 13 limitation or had conservative governments reflecting the same attitudes toward public spending that were dominant in Washington.

An end to the recession, a change in the political mood,

victory in school finance litigation asking the states to provide more aid money to overburdened central cities could all help in the problem. In most states with serious problems, however, none of these favorable circumstances were present as state legislators made the decisions about state aid for the 1982-83 school year, the year the big districts would begin to feel the force of the federal cuts. Intervention of the states was more likely to come on behalf of worried bondholders than of the children whose schools were deteriorating. The states were acting not as educational saviors but as stern fiscal directors.

The States and The Fiscal Collapse of Urban School Districts. When major city school districts or the city governments that finance them face fiscal collapse, the state government becomes a key actor in the process. Given the broad state control over school programs, the powerful state role in school finance, and the inability to obtain a Congressional response to any individual city's problem. When one of the largest governmental institutions faces bankruptcy there is both a spillover impact on the credit ratings of other institutions and an immediate political crisis as officials consider the implications of closing public education for hundreds of thousands of children or facing a bitter strike. Often, during the sixties and seventies, the big city districts were able to forestall crises by obtaining additional state aid or benefiting from an infusion of federal dollars. Now, as the state governments face severe fiscal pressures of their own and the political power of the big cities has seriously eroded, the reaction is very different. The states respond by taking control of key fiscal decisions of the city school board, by imposing major budget cuts, and by protecting bond-holders.

The definition of the issue of central city school financing has changed with the political tide against public spending and against additional spending to help people from minority groups, the groups that dominate the enrollment of the big city districts. A poll during the 1980 election, showed, for example that only 26 percent of the public favored additional spending for improving black conditions. (Ladd, 1980: 55) The issue that was once viewed

as a vital social concern, is now viewed primarily as a financial and political problem of imposing cuts on wasteful urban bureaucracies. Much of the research implicitly reflects this framework of analysis.

Direct state fiscal controls have been imposed upon school budgets in Chicago, Cleveland, and New York. All of the major cities of California have become almost totally dependent upon state school funds in the aftermath of Proposition 13. In Michigan and Pennsylvania the fate of the Detroit and Philadelphia school systems have revolved around negotiations with the state government in which local cutbacks are part of the state requirements. In Boston state tax law has forced drastic cuts on the Boston Public schools and produced an intense struggle between the schools and other major local services such as police and fire protection. A number of Ohio school districts have continued operations with loans from the state government which impose conditions on local district operations.

A report in mid-1981 described the nature of the state control in Cleveland:

> The Cleveland schools are now in a financial receivership imposed by the Controlling Board of the Ohio General Assembly as a condition of receiving the $19 million loan. The State Superintendent of Schools ... has financial control of the system. He has appointed an advisory committee to assist him and with his approval the Cleveland School board has named a new financial administrator. This receivership ... has the authority to make the necessary changes to improve financial planning, personnel policies, and budgetary control in the system.(Hoffman with Parham and Edlefson: 1)

After the Chicago schools went bankrupt in the fall of 1979 the state legislature rapidly enacted a law that gave operating control of the finances and all related aspects of

the Chicago public schools to a new government agency, the Chicago School Finance Authority . The law also required the resignation of the existing school board and the appointment of a new board in Chicago. The Authority, headed by a white suburban businessman appointed by the Governor was given sweeping power over the schools. After the Chicago Board lost its credit rating and could not borrow funds to pay its teachers and suppliers in November 1979, the state took drastic action to keep the schools open by forcing Chicago to cut expenditures and raise taxes sufficiently to guarantee repayment of bond holders and requiring the city to give up any control over the money needed for this repayment. The basic policy problem, from the state perspective, was regaining a credit rating high enough to borrow money without the state assuming any more of the burden of financing education in its largest city. The result was a new and superior level of school government whose mission was totally defined in fiscal terms and whose goal was to guarantee that investments in Chicago school bonds would be safe. The new agency had no duty to assure either that the schools operated or that they met any kind of educational standards.

Among the powers of the Chicago School Finance Authority was the right to veto the school budget and thus close the schools. In fact the Authority was required to do this if the budget was not balanced. The Authority could exercise internal administrative control over the district by possession of veto and removal power over the district's chief financial officer, the "duty to prescribe an accounting system" for the district, the right to veto any contracts it wishes, the

the authority to "direct the Board to reorganize its ... management and budget systems in whatever manner the Authority deems appropriate to achieve greater financial responsibility", and a wide range of other financial and management powers. (Chicago School Finance Authority, 1980: 11) Since virtually all school policy issues have budgetary implications the Chicago agency had vast power and the Chicago school board only a fraction of its former discretion.

The New York City schools, serving almost a million children, came under rigid outside budget control after the city's 1975 budget collapse. To keep the city from bankruptcy, local self-government was, in good measure, repealed. The city now "must satisfy the federal and state governments, on which it depends for aid, that it is making fiscal progress...." The new Fiancial Control Board was granted "powers over the city's budgetary, borrowing and management decisions that before 1975 would have been unimaginable."(Sinnreich:110) Much like the Chicago School Finance Authority the state-created Emergency Financial Control Board, with only two city officials among its seven members had "powers to police the city's budget, to approve or reject city contracts, and to order the preparation of a three-year city fiscal plan."(Auletta: 90) Through the efforts of the Financial Control Board, the state-created Municipal Assistance Corp., and the requirements of federal officials in exchange for a temporary $2.3 billion loan from Congress, city workers and city agencies were forced to accept a wage freeze and mass firings of city employees, firings that cut particularly deeply in the schools.(Newfield and De Brul: 182-186).

Under orders from the Emergency Financial Control Board and the Mayor, the school budget was suddenly cut $261 million. As the 1976 school year began the district's Deputy Chancellor, Bernard Gifford, estimated that there had been a "cumulative cut in teachers, since June 1975, of 22.9 percent" and a shortening of the school day by 90 minutes. Many school programs were cut by as much as half. According to Gifford "no municipal agency providing basic public services" since 1900 had "been forced to absorb cuts of the magnitude or at the rate experienced by the public schools of New York City " even during the Depression.(Gifford:33) "Of all the areas of city life," concluded another study, "the schools have been among the hardest hit in the layoffs" for reasons including the perception that "the schools became yet another minority service that elicits little consideration from New York's new decision-makers."(Newfield and DuBrul: 235).

The direct assertion of state fiscal control and denial of local power of school officials to spend anything that would imperil bond repayment were the most dramatic signs of erosion of local discretion and they usually came after spectacular problems. Less blatant but very important examples came in other cities as the state and federal governments refused to provide new funds needed to resolve crises. In the fall of 1981, for example, both Philadelphia and Boston school districts faced strikes over their inability to pay the cost of contracts negotiated by teachers in good faith. With the Reagan Administration in office and federal aid heading down officials in those cities and elsewhere turned to equally hard-pressed city councils and state governments for help.

Neither district received any significant help. In Detroit the city obtained help, in the form of state authorization to raise the city's own taxes, only in exchange for agreement of the city's public employee unions to reduce agreed compensation and other benefits. Facing possible bankruptcy, Mayor Coleman Young pushed this agreement through, threatening mass firings as the only alternative. In California, with the property tax gone as a significant source of school revenue and the state's surplus exhausted, school districts in the big cities as elsewhere face a year in which they will have no discretion to raise wages or expenditure significantly whatever the employee demands or the cost increases for other necessities.

In contrast to the movement of the seventies toward increased state funding of education with no major expansion of state control, the trend in the big cities facing fiscal crises has been toward loss of local control in key decisions, increased state authority but no new state resources, and continued necessity for cutbacks. For the time being, school authorities in big cities face more controls, less discretion, little ability to start anything new, and clear signs that the new power will be exercised most vigorously to protect bond-holders, not the educational process.

Can the Cities Help the Schools? If the federal government won't help, most states can't help now, and local school district revenues in the large districts are not rising significantly, there is only one other source of new funding on a large scale--the city governments. In a number of large cities the school systems are directly financed by the city governments and in others cities may provide assistance. Some cities, such as Boston and Philadelphia, have been foci for heated battles over school funding during the past year.

The possibility of aid from the city governments depends, of course, both on the availability of money and on the decision of city authorities to spend the money for the schools rather than other services or tax relief. Unfortunately, the data strongly suggests both that the cities with the most troubled school districts themselves are experiencing grave financial difficulties and that city governments in general have been subjected to the same kind of double shock as the states from the combined effect of the Reagan cuts and the successive recessions of 1980 and 1981-82. Large cities are facing not only very serious budget problems of their own, but real threats of drastic cuts in such basic services as police and fire, transportation, sanitation, and many others. Chicago, for example, faces not only a possible inability to open schools in the fall but also the distinct possibility that the busses and subways that make it possible for the city to operate will not be running due to lack of funds. All of these problems are exacerbated by the fact that the interest rates on tax exempt municipal bonds,

the basic instruments for both capital financing and for remaining solvent during periods of low cash flow, are now at historic highs, greatly increasing local government costs.

Lurking not too far in the background is the possibility of city bankruptcy in a number of cities. The conditions that put New York City, Cleveland, and the Chicago public schools in default could recur elsewhere. A number of cities have low bond ratings which limit their access to financial markets and raise their costs. They have seen what happens to local self-government in situations where the municipality runs out of money to pay its debts.

There is also evidence that in the competition for scarce dollars the schools may not do too well. People believe in education but at the same time, for instance, they are terrified of crime. Since most central city residents do not have school age children, the first commitment can be more abstract than the second. The schools are often far more important to the minority community than to the white community that still dominates politics in all but a handful of cities, even those with virtually all-minority school districts.

Like central city school districts, city governments themselves became more dependent upon aid from state and federal governments during the sixties and seventies, particularly the poorer central cities. Between 1967 and 1977 the percent of the city budgets coming from the states rose from 21 to 26% and federal aid went from 5% to 12%. Among those cities with the greatest need, federal aid per resident increased more

than 300 percent between 1970 and 1976.(President's National Urban Policy Report, 1980: 6-3,6-6) The Carter Administration worked to target the federal aid money more firmly to poor cities and to poor neighborhoods within those cities, but provided only a temporary boost in aid.

Three studies of urban fiscal problems during 1980 and 1981 disclosed very difficult conditions in many big cities and serious harm from the first round of budget cuts by the Reagan Administration. When the second Reagan budget was submitted at a time of state cutbacks, the protests were loud and insistent.

When the Congressional Joint Economic Committee surveyed cities shortly before the beginning of the Reagan Administration it reported that most cities had had operating deficits in both of the last two years and that revenues were shrinking in terms of constant value dollars.

Large central cities with more than a quarter million people were in the worst shape. Almost three-fourths had 1980 deficits and only four expected that they would end 1981 with a balanced budget. These cities received about a third of their revenue from state and federal governments and reported that they expected a decline in federal aid (even under the Carter budget) and no new state aid.

Cities had already begun job freezes or layoffs. In 1979-80 the largest cities were cutting fire, police, and sanitation services. The cities said that they did not have money to put the one-sixteenth of city workers paid by the federal public employment program on city payrolls.(Ibid.: 7,65,67) A committee staff report analyzed the problems of the big cities

before the Reagan cuts:

> In many of the largest cities retrenchment has already occurred and to maintain existing service levels will require further increases in local taxes, user charges, and fees. It is these cities ... which ... have suffered as high tax rates have combined with other factors to encourage the flight of population and business to suburban locations. A sharp and sudden reduction in inter-governmental assistance can mean a further deterioration of services and/or a new round of tax increases. Either can generate a new wave of out-migration and a further decline in the fiscal viability of many cities.(Ibid.: 33-34)

A November 1981 survey of 100 cities by the U.S. Conference of Mayors found that city governments were faced with "immense burdens" including , in a long list, "major cutbacks in employment and training programs", "crippled housing efforts", and "reduced transit service at a higher fee." The report noted the following conditions:

> Sixty percent of cities are laying off workers; 41 percent have raised or will soon increase taxes; and a substantial majority have reduced services substantially and deferred capital spending to try to absorb federal cutbacks.(U.S. Conf. of Mayors: 2)

The American Public Transit Association reported on a crisis in mass transit developing in major cities that would be intensified by the Reagan plan to eliminate operating subsidies. A survey showed that two-thirds of cities were planning to reduce service and nine-tenths expected regular fare increases and declining ridership. Fares were going up rapidly while service levels deteriorated, seriously threatening the viability of an essential service in some of the largest cities. In 1981 New York City fares rose 25%, Los Angeles fares 31%, Boston 50% and Cleveland 50%.(American Public Transit Assoc., October 21, 1981; New York Times, Dec. 13, 1981:43) In cities including Chicago and Memphis where the shutdown of mass transit

was a real danger, this issue presented another series of crises for local leaders.

After the first Reagan budget was approved, the Joint Economic Committee surveyed 50 cities. Most large cities were cutting "virtually every service they offer" and the cities with the worst unemployment were cutting the deepest, cities such as Chicago, Newark, Detroit, Cleveland, Baltimore, Miami, New York, Los Angeles and Oakland. Cities in this category expected to lose the most federal aid with most predicting at least 18% fewer federal dollars. Only one city in nine expected state aid to rise as fast as inflation. Every major type of urban services was scheduled to be cut in a majority of the high unemployment cities.(Matz, 1982: 5,8, 21-22, 43-44).

Given the difficulties facing the central cities, it is easy to understand their inability or unwillingness to provide substantial new money for the schools. Maintaining basic public services traditionally financed through the city budget was difficult enough and there were serious enough threats to the financial viability of the city itself that new efforts to help other institutions were viewed in a very dim light. The city of Chicago helped modestly for example, in the financial arrangements that permitted the opening of the Chicago schools in the fall of 1981, but the city was warned that unless it pulled back on any possible financial commitments to the schools and the equally troubles mass transit agency the city itself might see its credit deteriorate. In fact Chicago had been placed in a warning category "Creditwatch", by one

of the two dominant rating services, Standard and Poor's, in spite of increasing its property tax rate, raising its appraisals, raising the sales and cigarette taxes and imposing a city hiring freeze and other restrictions. After the city dropped its effort to rescue the foundering transit system and reported that it did not plan to aid the school system, Standard and Poor's lifted the warning. (Creditweek, January 11, 1982.) The best thing the city could do, for its own financial status, was to leave the other governments to their own devices, whatever they might be.

Boston school revenues were cut sharply in 1981 as a result of a state property tax limit referendum. After appeals to the state and the city proved futile, the school board fired 1000 teachers, including 750 tenured teachers, violating its contract to layoff no one with tenure. Public reaction was stronger, however, to layoffs of police and firemen and the available city funds were used the restore part of those cuts, much as they had been in New York City at the time of its 1975 fiscal crisis. (Boston Globe, Sept. 3, 1981; New York Times, Sept. 7, 1981).

The Philadelphia schools had settled one of the longest teachers' strikes in U.S. history in 1980 with a two-year contract promising no dismissal of tenured teachers. The district had been unable to get more state or city funds, however, and had a deficit of $71 million the first year. A $152 deficit loomed for the second year. In spring of 1981 the board voted to "lay off 3,500 teachers, enlarge classes, reduce teacher planning time and rescind a promised salary increase of 10 percent", all in violation of the contract. In an unsuccess-

ful effort to solve the pending crisis, Mayor Green went on television to tell the city about the "enormous crisis" the schools faced because of fiscal pressures that had brought the schools "to the brink of complete chaos and absolute bankruptcy." He offered to support a 10% property tax increase if the teachers gave up their raises and other provisions and permitted firings. Raising enough local money to fulfill the contract, he said, would mean a 62 percent tax increase which would "destroy the city's economic climate." The compromise proposal failed and for a second fall in a row the schools did not open.* The Philadelphia Inquirer noted the seemingly intractable nature of the problem, pointing out that "no significant additional money is going to come from federal or state sources " and that it would be very difficult to obtain local funds:

> There is no constituency for such tax increases, in the City Council or on the streets and in the neighborhoods.... No more than 20 percent of the population of Philadelphia has children in public schools. Even many among that minority feel overtaxed and underserved.(Sept. 11, 1981)

After fifty days of strike a state court ordered the school board to honor its contract, though it lacked the money. Presumably the school year would go until the money ran out. No long-term settlement was in sight.(Inquirer, Jan. 22, 1982). By tolerating a long strike once again and rejecting a more modest long-term proposal drafted in late 1981, the city authorities were sending the message that the matter was not especially urgent and that, in any case, there was not much they could afford. The teachers would have to absorb large and continuing cuts. The nation's fourth largest school system had a highly uncertain future. 37

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*Philadelphia Inquirer , Aug. 24, Aug. 31, Sept. 1, Sept. 3, Sept.10, Sept. 11 1981

An Expensive Institution with a Powerless Constituency. Urban public schools are expensive institutions built up on a long consensus about the importance of education. They now serve communities, however, with shrinking resources and power in the overall society, communities in which their operations have often become irrelevant to those with most resources and influence. Large urban central city school districts are predominantly black and Hispanic insitutions already in most parts of the country. More and more, a number of the most important are coming to be not only minority institutions but institutions which primarily serve poor minority children. They are located in cities where far less than half the voters have school age children and where a large fraction of the middle class voters (who vote at much higher levels) who do have children do not use the public schools. They are often school districts with a negative and deteriorating public image.

Urban schools are terribly important to minority children but of only marginal importance to the white community. Perhaps a sixth of the black and Hispanic students in the U.S. are in the five largest urban central city districts. The most recent available calcuation (1976 enrollments) showed that almost half of blacks and about 60% of Hispanics went to school in the fifty large school systems that enrolled the largest number of children from their respective groups.(Taeuber and Wilson, 1979).

The most recent data available on national school enrollment is the Census Bureau's 1981 report on fall 1979 enrollment. The Bureau reported that about two-thirds of American students attended school in metropolitan areas. 89 percent of students within metropolitan areas went to public schools (94% of blacks, 91% of Hispanics, and 86% of whites). 18% of the metropolitan enrollment was black and 8% was Hispanic.

Less than a fourth of whites but more than half of the black and Hispanic students in the nation attended central city schools. Among central city students, one white in six was in a private school, as was one Hispanic in 10 and one black in fourteen. Among students in metropolitan areas, almost one third of whites were in the central cities as were 72% of black and 61% of Hispanic metropolitan area children. (Chicanos were somewhat less likely than other Hispanics to attend central city schools but still far more likely than whites.)

Central city elementary public schools enrolled 4.5 million students in 1979-80. 2.7 million (60%) were white, 1.7 million (38%) were black, and .7 million (16%) were Hispanic. When Hispanics who were white are counted as minority students, it is clear that a majority of central city public school students in the elementary grades with from minority backgrounds. (Census Bureau, Series P-20, No. 360: 11-18) The elementary enrollments forecasted the overall enrollments of the future. Central city public schools were rapidly becoming predominantly black and Hispanic institutions.

Enrollment data from 1980 for the nation's fifty largest central city public school districts shows that only one-third (17) were majority white. Eighteen of the districts had mostly black students and three were predominantly Hispanic. Hispanics were the largest group in two other school systems and Asians in one. Among the white majority districts, seven has less than 60 percent non-Hispanic white children and most of those had trends that suggested that they would have a minority of whites in a few years.(1980 Office for Civil Rights data.) The decline in white enrollment in the largest district from 1968 to 1980 was massive. Atlanta had 86 percent fewer white students, Detroit 78 percent fewer, New Orleans 71 percent, Cleveland 66 percent, Chicago 62 percent and Los Angeles 63 percent. Even in areas with relatively healthy central cities and a good racial climate such as Denver, there were as few as one-eighth of the metropolitan area white public school students in the central city system that educated most blacks and Hispanics.(Ibid.; Orfield and Fischer, 1981).

The implications of these trends for future public support for central city education are examined in Sandra Featherman's recent report,"The Future of Public Education in Philadelphia." With only 28 percent white public school students and almost a third of the city's children in private and parochial schools, the school district's needs for sharp increases in local taxation if far-reaching cuts and bitter labor disputes are to be avoided do not produce much local support. Local research shows that about two-thirds of the city's households have no school age children and only about one household in five has a child in public schools. (Featherman: i, 4-5) "Whites

constitute 63 percent of the voters, but fewer than 11 percent of white households have children in public school."(Ibid.:6)

The problem in Philadelphia, as in Chicago, Houston, New Orleans, Atlanta, and a number of other cities showing this trend, was not white flight from busing. There was no busing plan in any of these cities, except from a very small-scale program in Altanta. The problem was expanding residential segregation, the aging of the city white population, and the settlement of young white families in outlying suburbs. These trends continue to operate, in spite of small islands of urban renovation, and the problems will grow worse in years to come.

The demographic trends help to explain what happens to public schools in fiscal crises. After the 1975 New York crisis the schools took more than their share of cuts. Last year in Philadelphia and Boston the city governments were not willing to make significant resources available to the schools when they confronted strikes and massive financial problems. The great numbers of children that depend upon the public schools are not the children of the people who control the economy and politics of the city.

(There is one important exception to this pattern. In Washington, D.C., where the school system is 97 percent minority and where much of the black middle class does not use public schools, there was a major campaign, sponsored by a national organization, for passage of a 1981 referendum creating large tax credits for families using private schools. In a city with very high income taxes and costly private schools,

the sponsors expected that the measure would be popular both in white areas and in the middle class black areas and popular with the citizens most likely to vote. The referendum was defeated 9-1, suggesting a strong latent support for the idea of public education, even among those who did not use it. (Washington Post, Nov. 4, 1981). Washington, of course, is anything but a typical central city. It is liberal politically, oriented toward government, and many of its white areas are so affluent that the families feel little immediate pressure. Nonetheless, what began as a frontal assault on the school system ending in a sweeping victory which led the mayor, who had been imposing substantial cuts on the schools, to call for a sizeable increase in his fiscal 1983 budget. (Washington Post, Jan. 5, 1982). While the Washington vote has little relevance to understanding the problems of poorer cities with different political traditions, it may well have helped forestall a direct attack on public education through the referendum process.)

As time passes, more and more big city school districts will become minority institutions. The school crises that are normally described as fiscal problems will become, to an even greater extent, racial problems. They threaten the viability of some of the nation's most important institutions for children from the two largest minority groups.

Broadening the Research Agenda

Proposition 13 and the collapse of the New York City government in 1975 attracted the attention of the research community to the questions of fiscal decline and crisis. Unfortunately, a good deal of money was commited to studying the effects in California, before any effects became visible because of the use of the state's gigantic surplus. There is, nonetheless, a good deal of research on the financial, political, and administrative aspects leading to fiscal crisis and the nature of the problem when it arrives.

Much of this research has been highly informative and has provided a much better and more accurate view of the nature of the crisis and possible ways out. A number of the studies of declining school districts show, for example, that the decline is by no means a drop to an unprecedended level of support. In fact, the research shows that school districts such as Philadelphia and Cleveland and New York (in the first half of the 70's) had per student expenditure levels that were rising far more rapidly than inflation.(Hoffman: 6; Featherman: 21-22). The problems were caused in part by overstaffed systems which failed to decrease employees or close buildings as enrollments dropped very fast. In some cities, such as Boston and Philadelphia, old-fashioned patronage continued to inflict unnecessary hacks on the school staffs, diminishing their ability to manage decline or to hold community confidence. One study shows that districts only reduce administrators when the fiscal pressue becomes severe. Others show the nature of the political struggles created by retrenchment.(Levine, Rubin, and Wolohojian, 1981).

The issues which have dominated the reseach to date are important and significant. There are a number of very serious questions raised by contraction and collapse of large central city school systems that deserve more attention from the research community. If researchers follow the present mode of analysis and concentrate most attention on the fiscal aspects they will be accepting the current definition of the central city school problem as a fiscal and management problem. Undeniably it is, but it is also a great deal more. It is a set of serious problems about the nature of our urban societies and the future of their most important public institutions. It raises a set of questions about the fate of the educators who have commited their careers to those large institutions. It raises a set of questions about the capacity of the reduced and maimed urban districts to adapt to providing the training necessary in an urban economy where the nature of work is already very rapidly changing. Finally, it raises about our racial future. The big city school systems are the largest and most important minority public institutions in many states. Minority families still see them as the key to possible mobility of their children. I hope that we can expand the research agenda to address these issues more adequately.

Morale. Anyone who has worked in an American university of college facing rapid fiscal decline in recent years knows from personal experience some of the impacts of severe budgetary problems on a complex organization and the individuals and programs that operate within it. Because universities, like school systems, have the vast bulk of their budget in staff salaries and those cannot usually be lowered much in the short run the administrators must rigidly clamp down on those things that can be controlled--new hiring, promotions, travel, office support, materials, maintenance and repairs, new equipment, library acquisitions, and related matters. The cuts embitter ambitious staff members with plans for new initiatives, make employment prospects much less attractive both for those inside and for those looking for jobs, encourage those who can to transfer, and produce endless small signs of deterioration and cutbacks of seemingly petty and trivial nature which produce an atmosphere of discouragement and resignation. The long-term consequences, as employees experience continuing declines in their standard of living, as new projects and new staff become impossible, and as increasing burdens are placed on fewer and fewer people in a deteriorating physical setting, are deeply pessimistic.

Professors who have observed this process in the colleges should try to imagine the greater difficulties of life in a declining big city school system where many of the problems are magnified by political, social, and institutional features not present in the same way on the campus. Those of us in research institutions must imagine working in a crumbling school in a ghetto or barrio in a highly bureaucratized setting, trying

to serve students desparately needing education in communities with pervasive problems of poverty, discrimination, crime, transciency and social and economic collapse. Often there would not even be enough books and paper but there would be endless forms to fill out. The yearly budget crisis would not be something to be discussed at cocktail parties and departmental meetings, but a/ first class spectacular on the front pages of the newspaper. Not infrequently one would not know whether or not school was going to open until just before the school year. Sometimes there would be the emotional, professional, and financial trauma of a city-wide strike. When there were cutbacks, seniority and "bumbing" provisions in the contracts would produce chaotic and massive reassignments of staff and a teacher could easily end up in a school he didn't want and even in a subject he had never taught. When school started up there would be resentment over the fact that the cuts had eliminated many of the young low-seniority black and Hispanic teachers and administrators so important to the minority communities. And then there would be the prospect that the same thing would happen each year into the future.

Much of the research on cutbacks is economic and it does not touch on the questions of decline in organizational and personal morale. It is quite possible for all of the problems described to occur under a settlement in which the end result is a level of expenditure per student has not substantially declined. Researchers interested in the fate of the public schools as institutions serving a very complex and important function and in teachers and principals as the central actors in the educational process must define more appropriate variables and measures.

The Teachers' Predicament: The Strike As the Only Weapon. When urban school districts with powerful teachers unions face severe retrenchment, they must come to terms with teacher's organizations that have succeeded, since the sixties in winning substantial benefits for teachers in many big cities. Most of these unions have been told in the past that no money was available, only to see money provided from some source when the only alternative was closing of the schools. When federal and state funds are reduced, local funds are inadequate, and both the possibility of borrowing and the cost of borrowing offer little hope, school officials can only cut costs in the short run by freezing hiring, firing teachers and administrators, or reducing compensation. School closings, another incredibly difficult political process, can account for more modest savings. Steep local tax increases are another possibility but these often require approval of an increasingly poor big city electorate with a diminishing number of families with school age children.

Needless to say, teachers organizations do not willingly accept firings and pay cuts for their membership with nothing but the prospect of additional similar demands in future years. Because of prolonged inflation, many teachers have experienced recent declines in their real standard of living even before these demands are made. This means that bitter strikes become almost inevitable. In circumstances where the local officials have little discretion to respond and the state officials are resolute in denying additional state aid, it means that the

strikes are also likely to be futile. Even when teachers win a contract, as the Philadelphia teachers did after a long strike in the fall of 1980, they cannot have any assurance that the school authorities will have the money to honor its provisions the next year.

Often when there is a school finance crisis the local newspapers and local critics will highlight the high salaries paid to teachers. The teachers unions have often been unpopular with liberal critics of school policy as well as the business establishment. The new financial control agencies normally suggest cutbacks or freezes in wages or benefits as key elements in solutions. The head of the Chicago agency, for example, suggested a month before school opened in the city in 1981 that the teachers should have no salary increase for the coming year. (Chicago Tribune, Aug. 7, 1981). A union wishing to retain the support of its membership could hardly accept such a proposal. Yet a strike not only may fail to get money but may further undermine already weak public support for the schools and encourage more parents to transfer their children elsewhere. Whatever the situation is with staffing levels and pay when the fiscal crisis begins, the union usually faces a no-win situation and its predictable actions tend only to feed the cycle of decline.

We need research that better describes the dilemmas of urban teachers and their organizations in a period of decline. Since few decision makers have any direct contact with their experience and many are hostile to their organizations, better descriptive work and organizational analysis could be invaluable. Policy research on better planning and conflict management could also make a contribution.

Curriculum. One of the most obvious effects of a substantial cutback in funds and staffing for schools is a shrinkage of the range of curriculum offered. This is most obvious in the upper grades where the curriculum is most diversified and where a quasi-market system for electives can interact with staff reductions to rapidly diminish educational choices. Because most evaluation focuses on a very small number of educational outcomes--such as reading and math achievement levels--and since the cuts are generally in other areas, little data on these effects are normally produced and virtually none comes into the policy debate.

The effects on the future lives of students can be suggested with a simple example. At a time when most students enter college it is probably a reasonable basic standard for secondary education to say that no student should be assigned to a school where he or she cannot prepare for college. Yet in many big city high schools the distribution of students and the background of students means that the standard subject matter classes operate far below grade level on a national scale and that adequate college preparation in both basic subjects and electives such as physics and advanced algebra and calculus or basic computer training appeal to a small fraction of the students. A handful of teachers can be decisive in keeping pre-college training in tact. With cutbacks it is easy either to lose key teachers who cannot be replaced or to lose classes because of standards raising the number of students who must enroll in an elective to keep it in the curriculum. Even before cutbacks many students in ghetto or barrio areas found themselves in public high schools where it

was all but impossible to prepare adequately for college. Cuts only accelerate this process, sometimes drastically.

Educators should closely monitor the educational components of educational budget changes. While there are many complex and perhaps unanswerable questions, there are also some that are simple. A student cannot possibly succeed in a field he is denied the opportunity to study and cannot prepare for college in a school which lacks either courses required for college admission or courses that are essential in preparing for college-level work. It should not be difficult to find out, for example, how many of the students in our central city comprehensive high schools are in schools that are, in fact, comprehensive in no meaningful sense but provide adequate training only for low-skill, low-paying jobs requiring no college.

Ability to Adapt to Economic and Technological Change. Cutbacks produce a bias against change in school systems for many reasons. Money for new staff,who are often the carriers of new ideas and approaches, and for new equipment, which may be essential for the proposed program, are usually the first things to go in a fiscal squeeze. A system cannot hire outsiders while firing loyal employees who have meet the district's standards. When there is no money to buy the basic necessities of supplies and equipment for existing curriculum, money for new starts rapidly vanishes. Money for staff re-training, essential to any broad implementation of a new approach, is another common goal for budget slashers.

The problem is that there is very strong evidence that the central city economies are changing in ways that require

some major changes in central city schools if the children of the city are to have a reasonable chance at the jobs that will dominate the city economy.

Cities have been struggling since World War II in a highly unsuccessful effort to maintain the manufacturing base of their economies. In spite of urban renewal, tax abatements, subsidized job training, and numerous other incentives manufacturing facilities have moved to the suburbs or beyond or even to some other country. Those cities that have retained significant activity and job creation in their core are rebuilding their economies not around manufacturing and other relatively low-skill jobs, but around white collar jobs requiring high levels of skill. Thus, the relatively healthy urban centers such as Manhattan, the Chicago Loop, and Washington, D.C. face the difficult situation where there is massive joblessness nearby and, at the same time, a strong demand for white collar workers in jobs the unemployed are unequipped to fill.

Recent reports on Chicago New York , and Philadelphia underline the problem. A 1982 U.S. Dept. of Labor report on the New York City economy found that city employment had grown 167,000 jobs during the past four years and that 152,000 were in services, such as law, research, data processing, and health care. There was also major growth in banking and securities and business services. Manufacturing jobs continued their long and steep decline, falling another 55,000. During the coming years, according to the regional commissioner for labor statistics, 7 of every 10 jobs would be for white collar workers.(Stetson:29)

Very similar conclusions were produced by a study of trends in the Chicago economy. During the seventies, it concluded "many manufacturing jobs were lost in the Chicago area, however, there were large gains in trade, business services, finance, insurance and real estate." Future projections showed "relatively more white-collar jobs, and fewer low-skilled positions for operatives, laborers, and personal service workers, especially in the city of Chicago where most of the region's unemployed are located."(Stone and Steele: ii) In Philadelphia more than a fourth of the jobs were in manufacturing in 1970 but only a sixth in 1980 and plants continued to close in the 1981 recession. As industrial jobs were replaced by service jobs city residents tended to lose and suburbanites to gain. Blacks and Hispanics in the city were especially hard-hit since they often had the lowest seniority with the firms. According to a Rutgers Univ. survey, "roughly 70 percent of the manufacturing jobs are held by people who live in the city while only 30 percent of the office workers are city dwellers." (Robbins,1981) With more than a fifth of the black adults and far more of the teenagers without jobs, students were obviously in need of training for the kind of jobs that would be available in the future.

A recent study by the Education Commission of the States staff suggests that the National Assessment of Educational Progress shows an actual decline in the types of skills now most in demand in the economy and a need for major revisions in school programs. If this is true it is a need that will be exceedingly difficult to meet in large school districts under severe fiscal

pressures. If it cannot be met, however, the largely non-white students they serve are apt to face even more drastic problems finding work in the future.

The draft report by the Education Commission points to national Bureau of Labor Statistics job projections for the 1980s, projections which point to a predominantly white-collar work force by 1990, with 12.1 million new white collar openings during the decade. Among blue-collar workers the prospects are grim except in the skilled trades. Even in manufacturing, higher levels of skills will be needed by many workers in increasingly automated plants.

The National Assessment showed that higher level literacy skills, mathematical application ability, an d physical science scores had all dropped nation-wide during the seventies. Perhaps, the analysts pointed out, the schools had become so fixated in teaching the basic skills, to respond to criticism of the past generation, that they had lost the ability to provide the kind of training needed for a robot and computer age economy. (Forbes and Gisi: 15-35).

> To attend primarily to the minimal competencies as they are currently defined shows a lack of foresight and leaves many students without adequate preparation for future learning and employability. The data from the National Assessment provide convincing evidence that by the time students reach the age of 17, many do not possess the higher-order skills, including problem-solving, analysis, critical thinking and evaluation.... Not only is the percentage of students who possess high level skills minimal, it is also declining.(Ibid.:53)

If the need was for a different approach to education and the initiating of better technical training, obviously the school district that had funds to hire newly trained teachers familiar with the latest approaches and to buy the machines

and supplies for good programs would have a decisive advantage. So would the students who had the good fortune to live in those school districts. The Council of Chief State School Officers expressed the worry "that a new disadvantaged class may emerge: those who do not have access to technology in their schooling." (Ibid.:35)

Racial Impact. Because of the very large minority populations enrolled in central city schools and the very small fraction of white students in the older poorer districts, a fiscal policy change that affects these school systems is also a policy with a powerful racial impact. In 1970 more than one-fifth of the nation's black and Hispanic students were enrolled in just five school districts--New York, Chicago, Los Angeles, Philadelphia, and Detroit. All of these systems except Los Angeles have experienced grave financial problems and serious related educational difficulties. When Chicago public schools reduce services it means a reduction of educational opportunity for seven of every ten black and Hispanic students in Illinois but only a very small fraction of the white children. When Gov. Jerry Brown in California recently froze school construction funds in response to the threatened state deficit, it had a direct and immediate impact on the Los Angeles public schools. At a time when most school districts are worrying only about which schools to close the enormous Hispanic migration to Los Angeles has produced more than 200 overcrowded schools. Thus the freeze had a racial impact, keeping many thousands of Hispanic children in severely overcrowded schools, facing problems virtually unknown in most American communities since the early baby boom years.

As our central city school districts become increasingly minority institutions, budget decisions become racial decisions. At a time of shrinking opportunity in the central city economies the public schools become even more important as a possible route to a decent job and a decent life for black and Hispanic children.

Typically, minority faculty and administrators are also very largely dependent upon big city school districts. Few are employed in the more prosperous suburbs in most metropolitan areas. Black and Hispanic teachers and administrators play a very important role in minority communities where respect for education is high and mobility depends far more on public employment than for whites. Cutbacks often hurt minority employees even more than their white counterparts, since they have less seniority. Thus cutbacks in large city school districts are really cutbacks in the role of black and Hispanic educators in a metropolitan area or, sometimes, in an entire state. They are also a direct threat to the social and economic mobility of many minority families. At a lower level in the educational hierarchy, cuts in part-time jobs for parent aides in the schools and the elimination of CETA jobs in the schools have cut away the first step out of the welfare dependency syndrome for many minority parents. There has been little research on these important racial consequences of budget changes.

Summary

After a period of considerable growth in the real level of investment in big city education, the largest urban districts find themselves in increasing fiscal trouble. Most lack fiscal resources to meet the annual rise in the cost of providing even the locally financed share of school costs. During the sixties and much of the seventies this problem was met by a large growth of intergovernmental grants, particularly from the state governments. Federal categorical programs

addressing particular needs concentrated in cities--such as Title I, bilingual education, desegregation, and others had the natural effect of directing a disproportionate share of federal aid to the big cities. Public school financing had not yet been racked by a generation of inflation and unprecedented interest rates. There was no preparation for the drastic decisions in a good many states and, later, in Washington, to severely curtail tax systems and thus the level of state and federal resources available for education and other governmental functions. Now the cities are feeling that squeeze at the same time that the second back-to-back recession continues to destroy urban employment centers and damage the local tax bases.

After a period of unprecedented growth in both income and responsibilities (such as education of the handicapped), big city districts face shrinking real resource from both federal and state governments and the prospect of worse to come in the future, especially at the federal level. The big city districts have not been released from any of their new responsibilities. They have been left to find additional resources in their increasingly poor black and Hispanic cities where a shrinking minority of the residents have children in school and a growing proportion have difficult economic problems of their own. City officials are faced with brutal decisions about increasing further local taxes and increasing their disadvantage in competition with the suburbs or weakening local education, which may be the key to any kind of economic future as the job market evolves. There are no choices without serious costs.

Although a long history of mistakes and misjudgments

usually comes to light when there is a serious financial collapse, and although the process commonly exposes excessive payments and unnecessary expenditures in some areas of the district it is important that the research on fiscal cutbacks reflect the fact that it is not the officials of years gone by who bear the cost of the cuts but the students, the young teachers, and the schools as institutions. The people who are hurt are often disorganized and voiceless. It is very important that researchers learn their stories and give them voice. In a society where the education of the poor and minority children is so thoroughly separated from those who make form opinions and make decisions, research is one of the last avenues by which this vitally important social information can be communicated.

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